

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7924

BILL NUMBER: SB 492

DATE PREPARED: Jan 29, 1999

BILL AMENDED: Jan 28, 1999

SUBJECT: Sales tax exemption for the sale of food.

FISCAL ANALYST: Jim Mundt

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the sale of food that may be purchased with food stamps is exempt from state sales tax if the food is sold by a grocery store, convenience store, or retail food store participating in or eligible to participate in the federal food stamp program. It provides that the exemption applies regardless of whether the food is actually purchased with food stamps.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues: This bill will reduce collections from sales tax beginning in FY 2000. The exemption created by this bill will apply to the sale of soda pop, candy, and certain water products that are currently subject to tax. The exemption could apply to other food stamp eligible items, but it is believed the significant sales tax impact results from applying the new exemption to the sale of soda pop, candy, and water products currently taxed.

With respect to soda pop, it is assumed that the sale of soda pop at grocery stores and convenience stores in Indiana generates between \$271 million and \$343 million on an annual basis. This bill will result in a reduction of sales tax revenue of about \$15.6 million annually. This figure represents tax on the mid point of the range for sales of soda pop.

The sale of candy at grocery stores and convenience stores generates approximately \$194 million annually in Indiana. The revenue loss resulting from not applying sales tax to these purchases would be approximately \$9.7 million per year.

Assuming annual sales in Indiana of approximately \$8 million of water products currently subject to tax (the sale of natural spring water is not taxable), the revenue loss estimated to be about \$400,000 per year.

The total estimated annual revenue loss beginning in FY 2000 is \$25.7 million.

Sales tax is deposited in four funds. Based on the above estimate for FY 2000, the loss of revenue and impact by fund would be: the State General Fund (59.2%): \$15,214,400; the Property Tax Replacement Fund (40%): \$10,280,000; the Public Mass Transportation Fund (0.76%): \$ 195,300; and the Industrial Rail Service Loan Fund (0.04%): \$10,300.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue

Local Agencies Affected:

Information Sources: Indiana Grocery & Convenience Store Association, Joe Lackey, 317-231-2900; The Survey of Buying Power Data Service, Market Service, New York, New York (Statistical Abstract, 1997); National Confectionary Manufacturers; Beverage Marketing Association, Bottled Water Association, Department of State Revenue, Tom Conley, 317-232-2107.